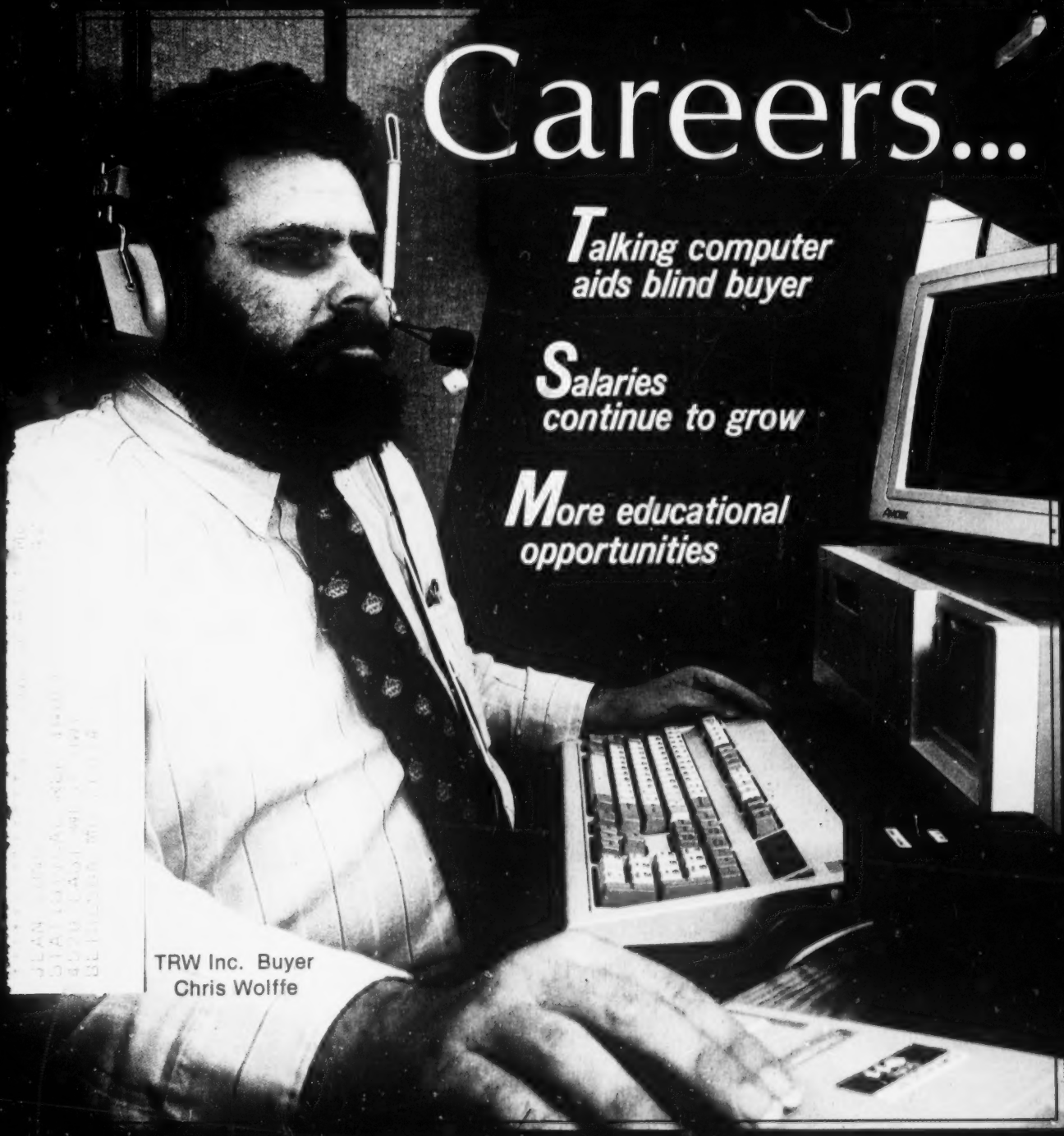
THE BUYER'S MAGAZINE DECEMBER 1989

Careers...

Talking computer aids blind buyer

Salaries continue to grow

More educational opportunities



TRW Inc. Buyer Chris Wolffe

PW Exclusive: The price lull is for real • Commodity briefs

Who bears the risk of los[illegible] The true cost of acquisition

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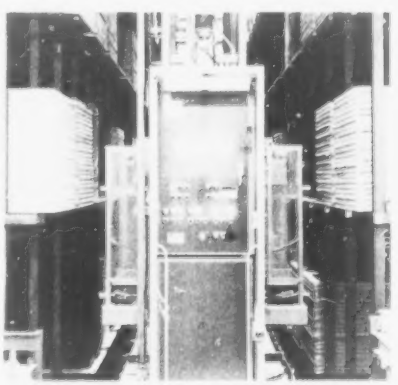

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It's easy to say that a PO costs a company $10 to write—but that doesn't take all factors into account. The actual cost is probably more than most buyers think.

PurchasingWorld

JIT strategy starts with benchmark study

Traveling the road to a just-in-time strategy begins with an analysis of just where you currently stand. You need a benchmark, advises Dennis Driver of IMC Strategic Planning Group, Paducah, KY, a system analysis that will provide a factual summary of the existing procurement process. If that analysis gives a JIT effort the green light, start with a commodity in the MRO area that would not impact production if the plan needs modifying, he adds. And once you have selected a supplier you want to partner with—remember it's not the same old adversarial game you both have been used to playing in the past—and established a price, warns Mr. Driver, "You cannot simply drop everyone an outline of the agreement and expect things to go as planned. You must educate everyone involved, not only your own personnel, but all the supplier's personnel as well...and you must continue to followup." It all begins by asking yourself "is this what our organization should be doing? Is it worth all the effort?"

Steel drums pushed as waste minimizers

With society getting fed up with dealing with industrial waste, the "Old Reliable" steel drum could be gaining new acceptance. The Steel Shipping Container Institute is pushing the idea that "steel drums can be reused like no other drum. There's an entire secondary-use industry out there geared to take emptied containers off the end-user's hands." It points out that the drums are easily washed, rinsed, or crushed for reuse or to be recycled into the manufacturing stream.

C.P.M. exam set for January

The National Assn. of Purchasing Management has set its next exam for the Certified Purchasing Manager designation for Jan. 24. It's expected that some 2,500 individuals will be taking the test in more than 130 locations nationwide. All four modules—Purchasing Function, Administration Function, Organizational Function, and the Continuing Education Function—will be offered. Taking and passing all four modules is one important requirement needed to earn the C.P.M. designation. Other elements of the program that can earn points toward the certification include formal education, work experience, and service to the profession.

Collapsible shipping containers studied

Exxon Chemical Co. and World Container Corp. have joined forces to study the market for reusable, collapsible shipping containers made of Taffen, Exxon's new structural thermoplastic composite. The containers would be a substitute for the "cardboard boxes mounted on a wooden pallet" which has been the standard method of shipping many items. Richard M. Burkhart, Exxon's manager for the venture, contends that the costs of disposing of the broken pallets and cardboard boxes are climbing and many industries are looking for a more cost effective shipping method. Taffen STC is a long glass fiber reinforced thermoplastic that is recyclable. It would permit shipping container design with intricate rib patterns, tight corners, and sharp angles which would permit reinforcement in areas where fastening is needed.

EDI international standard studied

The Electronic Data Interchange Assn. is beginning an independent study to analyze the potential impact of UN/EDIFACT in North America. UN/EDIFACT is an emerging EDI standard intended for international trade. The study is designed to provide information that will assist the EDI user community in determining applicability of EDIFACT to their individual situations. Results will be presented at the EDI Systems Conference and Exhibit in Washington in December.

PurchasingWorld

29100 Aurora Road, Suite 200
Cleveland, Ohio 44139
Phone: 216-248-1125

Editor-in-Chief
Stanley J. Modic

Executive Editor
Robert S. Reichard

Managing Editor
Ron Stevens

Editorial Assistant
Nanette M. Webb

Art Director
Mario M. Caviovicak

Art Supervisor
Carolyn S. Henry

Art Assistants
Melissa J. Leslie
Bridget T. O'Grodnick

Contributing Editors
Editorial Consultant
Paul V. Farrell, C.P.M.

Economics and Government
Dr. Roger Williams

Purchasing and the Law
Dr. John E. Murray, Jr.

Transportation
Thomas F. Dillon, C.P.M.

Software in Purchasing
Garry Hersman

Negotiating
Louis DeRose

Office Products
Caroline Reich

Management
Robert L. Janson, C.P.M.
Dr. Kenneth H. Killen, C.P.M

Publisher
James A. Lorincz

Sales & Marketing Coordinator
Vivien Gow

Advertising Sales Coordinator
Carrie M. Grice

Production Director
Georgenne Retych

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THOMAS J. CORCORAN, President
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MANLEY P. LUDWIG, Executive Vice President
JAMES A. LORINCZ, Group Vice President

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by Robert S. Reichard, executive editor

Lid is on for new price boosts

The combination of decelerating demand gains and a slowly increasing supply base continues to put a lid on big new price boosts.

Simple arithmetic makes this clear. Right now, demand (as measured by industrial production) is growing at only a 1-2% annual rate. Capacity, on the other hand, is advancing at near a 3% pace. Upshot: improving market balance, as witnessed by the slow decline in factory operating rates.

More important, this non-inflationary situation is likely to continue for some time. Certainly plant managers responding to a new Dun & Bradstreet survey seem to think so: only 50% expect increases in the pricing of goods they sell over the next 12 months—a significant drop from the 59% response given earlier this year.

Another encouraging note from these same plant managers: some six months ago those expecting to boost their selling prices far exceeded those anticipating cost increases. Today that gap has all but disappeared. Implication: posting new price increases is now becoming a little more difficult.

Buyers too are now a bit more optimistic about holding the line on inflation. A new *PW* survey finds purchasing managers downgrading their predictions for current-year price boosts to near 3%—far under the nearly 5% estimate made just six months ago. Equally significant, the improvement is expected to spill over into 1990 when only a 2.2% overall increase in procurement costs is projected—half the 4-5% estimate given by these same PMs just six months ago.

One thing is sure—buyers are currently doing an impressive job in keeping prices down. A new NAPM survey, for example, finds the group's price index (where 50 is regarded as neutral) dropping to 41.9, the lowest level since December 1982 (just before the current upturn began.).

And if further confirmation of a price respite is needed, take a look at these four additional key stories appearing in this issue of *PurchasingWorld:*

- **Import prices:** a new government report finds incoming quotes are actually edging lower. Not only does this provide PMs with new low-cost sources, but it also makes domestic vendors think a lot harder before posting price increases.
- **Transportation costs:** a new Wharton report finds freight (an area that accounts for nearly 10% of all GNP) rising less in 1990 than in 1989. The actual estimated advances: 2.7% in 1998 *versus* 3.7% in 1989.
- **Office product prices:** a just-released forecast by a major distributor (Quill) calls for a 1.4% decrease in these items over the next six months—with the biggest drop likely in fax machines.
- **Raw materials:** other stories in this section (on steel and paper) point to softer prices ahead. And the same seems to be true of such other key inputs as nonferrous metals, chemicals, plastic resins, and electronic components.

All the above is in no way meant to imply that zero inflation looms ahead. Some increases will undoubtedly crop up—near-term because of the traditional price-boosting attempts at the beginning of each year, and longterm because of still modestly rising unit labor costs.

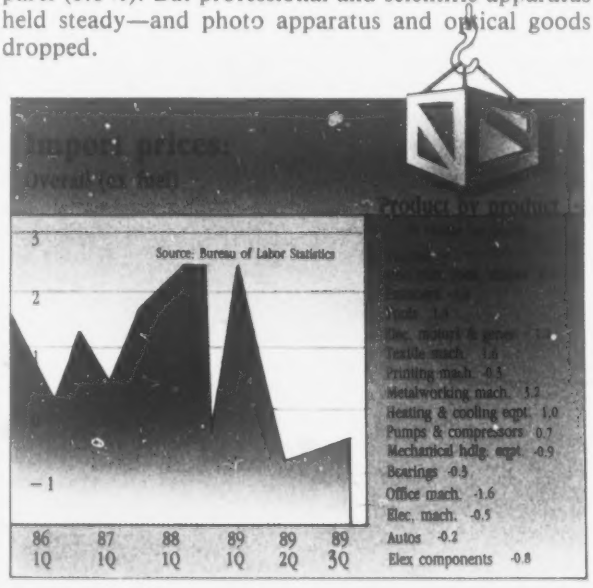
Import prices down slightly

Another hard look at imports may be in order. Reason: incoming tags have been edging lower for two straight quarters now—reversing an almost uninterrupted stream of earlier increases (see accompanying chart).

Credit much of the shift to the recent rise in the value of the dollar (up more than 6% so far this year)—something which makes it easier for overseas vendors to hold the price line.

In any case, of eight product categories monitored by Uncle Sam, some six managed to edge lower over the latest three-month period. Some details of the changes:

- **Crude materials:** the 4.7% drop here was the largest since import prices began to be tallied back in 1983. The largest fall was in metal ores and scrap (12.7%).
- **Machinery and transport equipment:** a small 0.2% drop follows a somewhat larger 0.7% fall during the previous quarter. Office machinery was down most (1.6%), followed by telecommunications equipment (0.6%) and electrical machinery (0.5%).
- **Miscellaneous manufacturing:** small increases were posted in furniture (2.6%), travel goods (2.0%), and apparel (0.8%). But professional and scientific apparatus held steady—and photo apparatus and optical goods dropped.



Copper drift is downward

The volatile metal seems to be edging lower as market balance slowly improves and labor problems are gradually resolved. In fact, a further downward drift is likely—into the $1-1.10/lb. range—by year end or early 1990. Also calculated to put downward pressure on prices: a 450,000-600,000 metric ton increase in worldwide production capacity over the past year. But any descent will be uneven—as low stocks (four week supply or less) keep markets nervous.

Heavy metals head down

The sister metals (lead and zinc) are heading lower—with 3¢/lb chopped off both in recent weeks. Further modest declines can't be ruled out for zinc as auto demand eases and London Metal Exchange tags remain shaky. And the same may be true for lead, where battery demand has been running considerably under comparable year-earlier levels. The fact that global use could be level or even fractionally lower next year should also help keep the heavy metal under downward pressure.

Aluminum still softening

Markets continue to soften—with producers failing to support a recent 2¢/lb. ingot increase (to 84¢/lb.). And free market tags are a lot lower than that (in the upper 70¢/lb. range). Another sign of continuing ease: producer inventories are building up—and are now at their highest levels in two years. Given lackluster demand forecasts and further supply gains, prices are likely to remain easy into early 1990. On a more bullish note, per-car use rose to 157 pounds in 1989—up 8% from two years earlier. And there's talk of 200 pounds per car within a few years.

Fleet car costs have jumped

Worth looking into: a shift from company-provided to employee-provided business cars. Reason: fleet car costs are estimated to have jumped 7.6% this year—on top of 1988's 10.6% spurt. Sign of the times: some 19% surveyed companies now use employee-owned vehicles exclusively—up significantly from the 7% and 12% readings of 1985 and 1987, respectively.

Plastic tags weaken

Excess capacity (operating rates have slipped to 85%) is making for more price weakness. Pipe grade material, for example, has dropped to 33-34¢/lb.—some 4¢/lb. off late-summer levels. And a similar decline has dropped the general purpose grade into the 35-36¢/lb. range. Nor is any turnaround anticipated.

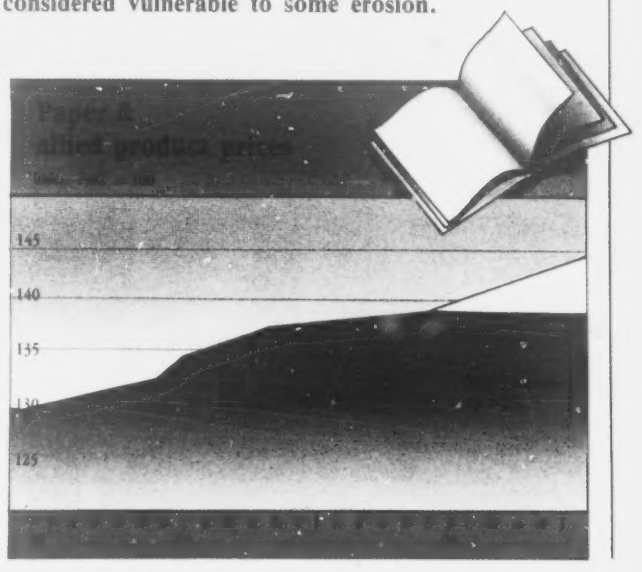
Paper prices: declines to report

CURRENT SITUATION: Prices are beginning to level out. Zero in on the fine paper area, and there are now more than a few declines to report. Taking off on this, one large vendor now says the average selling price of its uncoated papers dropped 6% over the past few months. Coated stocks used in magazines are also a bit lower. Newsprint, too, is soft. Ditto pulp, and some discounting is reported in linerboard. **One exception: solid bleached board where tags continue to edge up.**

DEMAND: Current lackluster buying suggests only a small 0.7% gain in paper and paperboard production this year (to just 77.1 million tons). That's only about one-fourth last year's near-3% advance. One factor working for the industry, however, is this year's improving trade trend—with imports down nearly 6% at a time when exports have been growing about 4-4.5%. But trade alone can't alter the basically sluggish demand outlook. **In any case, next year doesn't look all that robust.**

SUPPLY: It's a brand new ball game. Linerboard capacity, for example, will jump by 3.5 million tons in four years—the largest such increase in history. And the same is true of many other paper items, as overall production potential advances 2.9% this year, and 3.7% in 1991. Another sign of expansion: capital spending will rise a hefty 36% this year. All this is far in excess of demand. Upshot: **the all-industry operating rates which fell three percentage points since last year (to 92%) could drop even more in 1990.**

PRICE OUTLOOK: Further softness seems virtually certain. Official lists may hold up (see *PW's* steady-to-slightly-higher list-oriented forecast). But discounts should intensify—**pushing transaction prices lower.** This is certainly true in coated papers, where operating rates have fallen into the low 80s range in recent months. **And the $410/ton linerboard quote has to be considered vulnerable to some erosion.**

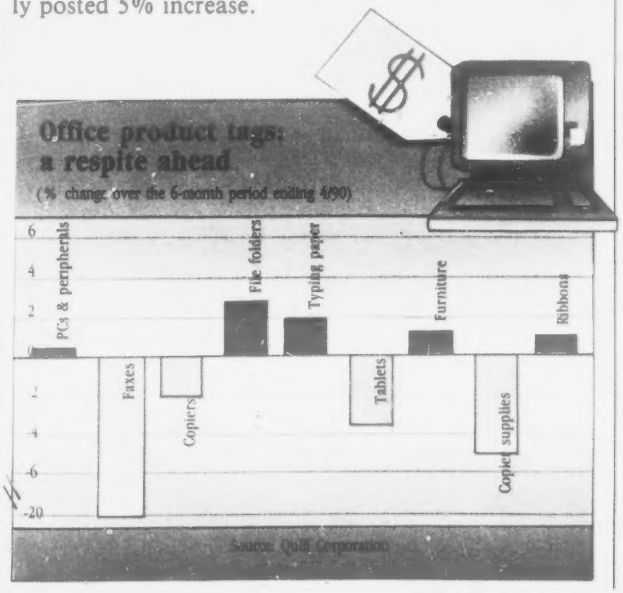


Survey: office prices peaked

Office product prices have peaked out—and may well drop a bit over the next six months.

That's the good news from Quill Corporation's latest semi-annual market survey. The Lincolnshire, IL office product distributor puts the average decline over the period at 1.4%.

- **Computer items:** the combination of hardware, software, and peripherals should remain basically flat, with only a 0.5% increase over the forecast period.
- **Other office machines:** intense competition suggests close to a 20% slide in faxes. Copier tags will fall just under 2%. And typewriters, a declining market, will be flat to slightly down.
- **Paper items:** file folders will be up 3% due to delayed paper cost pass-throughs. Typing paper will be up 2% because of higher ragbond costs. But declining table-grade paper tags suggests a 3.8% drop in ruled pads and books. Envelopes will be stable to slightly lower.
- **Furniture:** increases are becoming smaller—1.5% over the next six months *versus* the previous 3% every six months.
- **Office commodities:** items like staples, punches, fasteners, and scissors will be up less than 1%.
- **Reproduction products:** copier supplies will be off 5% due to lower paper costs. Toners will remain flat. Facsimile supplies will be down less than 1%.
- **Typing supplies:** ribbons will rise less than 1%. Other items such as correction fluid will also increase slightly.
- **Data and word processing supplies:** paper items will be down about 2.8%. Diskettes (both 3½ and 5¼ types) will also fall because of heavy competition and new production efficiencies.
- **Writing instruments:** a flat pattern is seen here as competition forces vendors to delay passing on a recently posted 5% increase.



Cellular sells for less

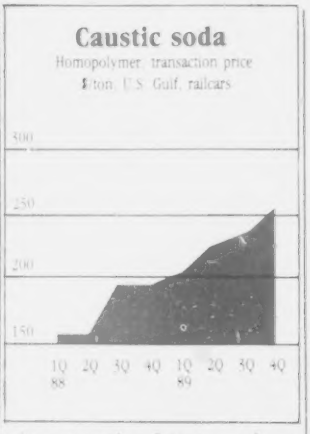
Declining quotes have brought low-end models down to as low as $300—compared with as much as $3,000 when this product first hit the market back in 1984. Service rates, however, remain relatively high—falling only 20% over the same five-year period. On the other hand, these rates could be poised for a drop next year when new digital standards are introduced which will effectively quadruple capacity. Another thing to watch: the introduction of portables. Prices are high (as much as $3,000) but should fall rapidly as more competitors jump into the fray.

Insurance rates up

Brace for increases running upward of 10% in commercial rates next year. Blame it on a series of disasters, including Hurricane Hugo, the California earthquake, and a recent refinery fire in Texas. Increases will be in marked contrast to the past three years, when rates were heading down to the point where they had eroded profits in most of the big commercial property and casualty insurance lines.

Mixed picture in chloralkalis

A mixed picture here. Caustic soda is firming while chlorine sags. On



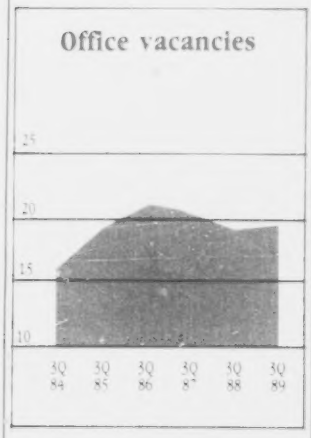
the caustic front, prices have risen into the $240-265/ton range—up some $15/ton from mid-year levels. And increases should continue here as supplies are held back by poor demand for co-product chlorine, where market quotes have dropped into the low $80-100/ton range—off as much as $10 from late spring levels. These cross-trends should persist as caustic growth (1.5-2.2%/year) outpaces chlorine advances.

The jousting goes on

Competition continues unabated. Latest moves include 1) IBM discounts of up to 17% on its ES 3090 mainframe upgrades, 2) Digital Equipment's introduction of its first line of mainframes—one that could impact on IBM, 3) Compaq's new line of PCs that are likely to challenge traditionally faster and more expensive minicomputers. The latter also marks that producer's introduction of its Extended Industry Standard Architecture (EISA) which is a viable alternative to IBM's Micro Channel.

Office spaces remain open

Commercial vacancy rates remain high enough in many areas to elicit some really good deals. In the office sphere, higher "downtown" vacancies



are noted for Albuquerque, Austin, Dallas, Denver, Miami, northern NJ, Oklahoma City, Orange County (CA), Phoenix, St. Louis, San Antonio, San Jose and Tucson. High (8% or greater) industrial vacancy rates persist in Charlotte, Chicago, Cleveland, Denver, Hartford, Houston, Miami, northern NJ, Oklahoma City and Salt Lake City.

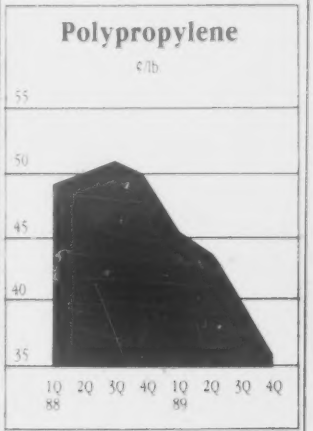
Cobalt tags stay the same

Major producers are sticking with last year's $8.40/lb. official list. Discounts which have been ranging in the 2-11% region (depending on volume and length of contract) will also remain unchanged. On a more encouraging note for buyers, merchant spot prices have been easing—and are off

about 10¢/lb over the past month (to $7.40-7.60/lb.). And these spot quotes could edge even lower on a combination of 1) increasing Soviet supplies, 2) possible reopening of an Idaho mine, and 3) falling demand from the paint dryer market.

Polypropylene prices drop

Prices are sagging—with another 4-5¢/lb. being knocked off quotes over the past month or two. Right now, some volume purchases of the homopolymer grade are going



for as low as 35¢/lb.—a far cry from the 52¢/lb. peak of last year. And spot export markets are as low as 28¢/lb. Behind all the weakness: a declining monomer price plus a fairly substantial inventory buildup (to a 55-day supply).

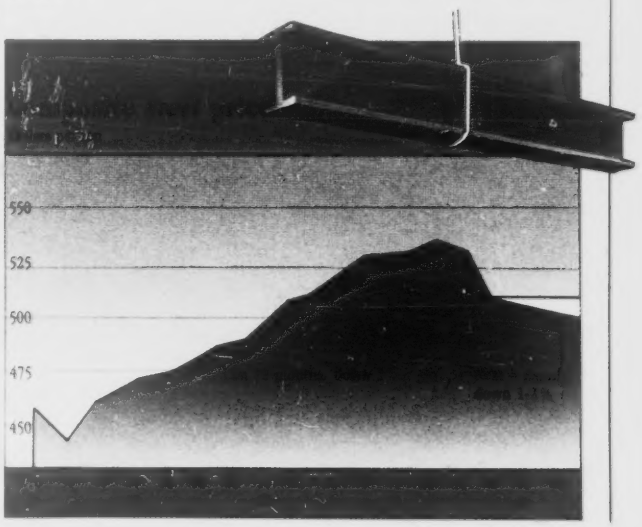
Steel slowdowns reflect autos, construction

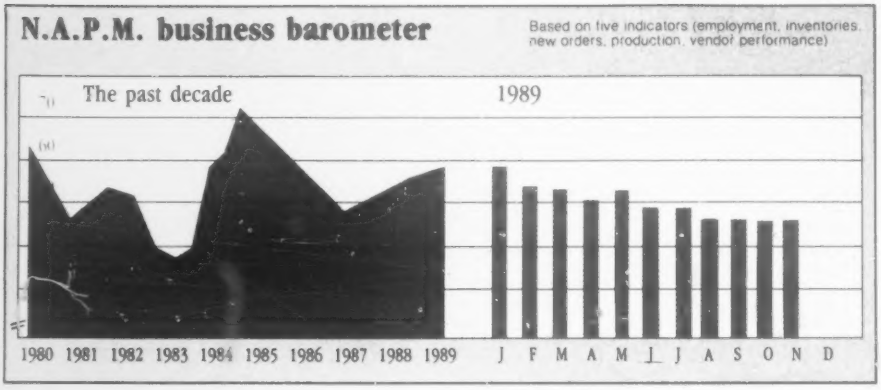
CURRENT SITUATION: Shipments have been slipping—reflecting slowdowns in both the auto and construction sectors. Latest figures suggest the second half will be more than 10% under a year ago—with the year as a whole off about 3-4% (around 81-82 million tons). **Not surprising, prices have also been softening.**

DEMAND: The upcoming year doesn't look all that robust either. For one, U.S. auto production in 1990 will be lucky to equal this year's estimated 6.9 million unit total. Construction, too, will be hard put to equal 1989 levels, on a continuation of still relatively high interest rates and less ebullient demand. Then there could be some sizable inventory paring—with users possibly chopping as much as 4-5 million tons off their holdings. Upshot: **next year's shipments are likely to edge down another few million tons (into the 78-79 million ton range).**

SUPPLY: It looks like clear sailing ahead. Two surefire signs: 1) the general shrinkage in leadtimes and 2) a falling industry utilization rate. The latter is in the process of dropping through the 80% barrier and could average in the upper 70s over the early part of next year. Also worth noting: capacity has stopped shrinking, with mill crude steel potential expected to hold around 115-116 million tons over the new year. **Finally, there are imports, which may well rise from about 17.5 million tons in 1989 to near 19 million tons in 1990.**

PRICE OUTLOOK: Further modest erosion is likely—despite a new attempt to post a 3% increase on flat-rolled products. The boost is probably just a ploy to prevent further drops in the transaction level. **Also indicative of further softness: more service centers expect replacement costs to decline than to rise over the next six months.** But don't expect any sharp cuts—as mills seek to avoid a repeat of the huge discounting of the early 1980s.




N.A.P.M. business barometer
Based on five indicators (employment, inventories, new orders, production, vendor performance)
The past decade
1989
1980 1981 1982 1983 1984 1985 1986 1987 1988 1989
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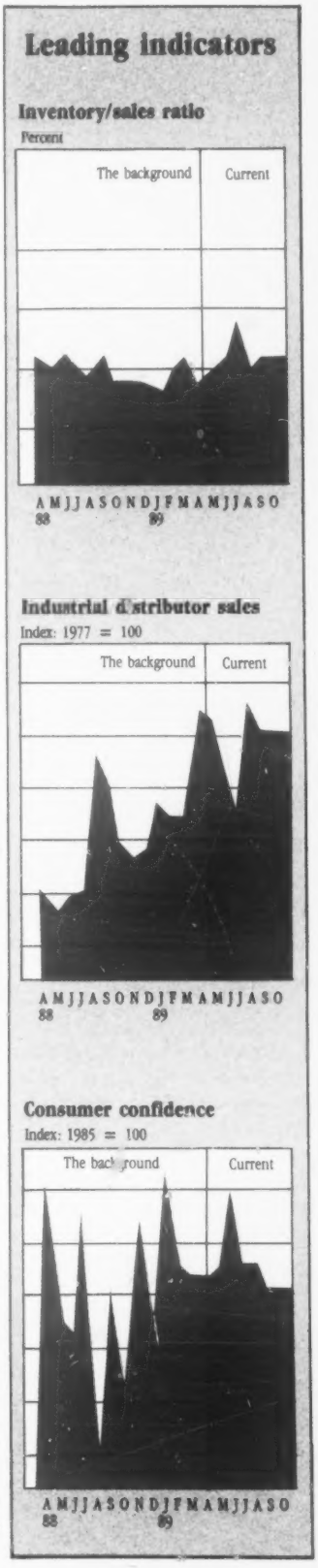
Leading indicators
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KEY ECONOMIC TRENDS

After seven years, expansion slows

The near 8-year-old economic expansion is beginning to slow down. And while further gains still seem to lie ahead, they are likely to be small and relatively scattered.

The big problem: weakness in the manufacturing sector which is offsetting continued strength in services. In any case, buyers (both industrial PMs and consumers) are agonizing a bit more before embarking on big new purchases.

Then, too, there's the stronger dollar which is apparently slowing export gains. The NAPM (National Association of Purchasing Management) Business Survey Committee, for example, reports that only 19% of its exporting members experienced an increase in foreign orders over the latest month—down from 27% a month earlier.

The NAPM Business Barometer—a lead indicator of business a few months ahead—also remains far from robust. At 47.6, this key measure is still more than two percentage points under the neutral 50 mark.

On the other hand, it should be pointed out that things may be stabilizing. The latest reading here is actually above the 45 index low of a few months back. Implication: the outlook isn't really all that bleak, and further gains—albeit modest ones—are still likely.

An easing credit situation also has to be regarded as a positive sign—hopefully sparking a spending pickup. The move should also help ease upward pressure on the dollar since lower rates discourage foreign investors from buying dollar-denominated assets.

Finally there are also some other key indicators which, if not hardy, would seem to indicate that the economy is not about to fall out of bed. These include:

- **Inventories:** the key factory stock/sales ratio has remained on a relatively even keel (see accompanying chart)—far under levels of a few years ago. It suggests that any new orders, as they come in, will quickly be translated into new production—thereby helping to buoy the economy.

And these new orders are coming in. The latest government tabulation shows durable bookings relatively firm and above year-earlier levels.

- **Industrial distributor sales:** figures here are actually up *vis a vis* 1988 and early 1989 (see chart). Since these are mainly MRO items, any strength here has to be regarded as a sign that factory managers plan to operate their facilities at fairly high rates in the months ahead.
- **Consumer confidence:** Families may be a bit more cautious these days, but by and large their confidence remains quite high according to a new Conference Board survey (see chart). Indeed, more than twice as many respondents (20%) expect improvement in business conditions than expect deterioration (8%).

This confidence is probably being fed by continuing good news on the job front: the unemployment rate is holding steady in the 5%-plus range. Also, nonfarm payroll jobs continue to rise—though virtually all of the latter is traceable to the service sector.

But whatever the source of confidence, consumer buying plans for the next six months aren't all that bad. To be sure, the number intending to buy a new car has dropped considerably, but interest in purchasing appliances has actually inched ahead—and even housing plans have perked up (probably reflecting somewhat lower mortgage rates).

In short, there's precious little to suggest any negative GNP numbers. Best bet at this time: a 1-2% advance during the early part of 1990—perhaps the harbinger of the soft landing economists have been talking about for nearly a year now.

Factory rates reflect supply picture

Declining factory operating rates confirm today's easing supply picture.

The drop in the overall utilization average (only about one percentage point over the past year) is hardly earthshaking. But it does suggest that the scattered tightness and leadtime extensions of 1988 are over.

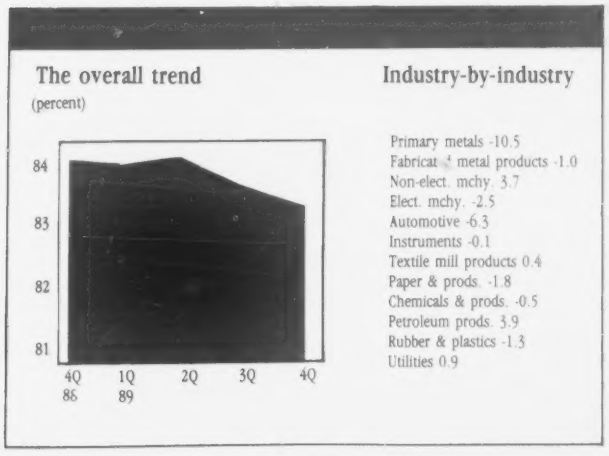
Then there's the feeling that industrial production may be ready to take a breather through early 1990. Couple this with the fact that new capacity is still coming onstream, and all signs point to perhaps another 0.5-1% dip in this bellwether over the next few quarters.

Upshot: only about an 82.5% operating rate by next spring. Again this may not seem all that low, but a 2-3% drop in this sluggish yardstick has traditionally made a big difference.

Moreover, this slippage isn't limited to any one industry. The accompanying chart shows that 8 out of 12 monitored categories now sport minus signs *vis a vis* a year ago.

And some of these negative readings are quite impressive. Metals (reflecting a sharp drop-off in steel) are down more than 10%. And this could be why tags here have turned a bit soft in recent months.

The big decline in autos (6%) also deserves mention. True, non-electrical machinery (reflecting strong capital goods buying) is up—but even here the operating rate is only a point or two over 85%.



Indeed, there are now only two industries in the 90%-plus utilization range—textiles and paper. And the latter can scarcely be called a problem since this industry generally prefers to operate in the mid-90s range.

Conclusion: last year's sellers' market is becoming little more than an unpleasant memory—as the supply/demand balance (especially in raw materials) shifts increasingly in favor of industrial buyers.

CURRENT PRICES

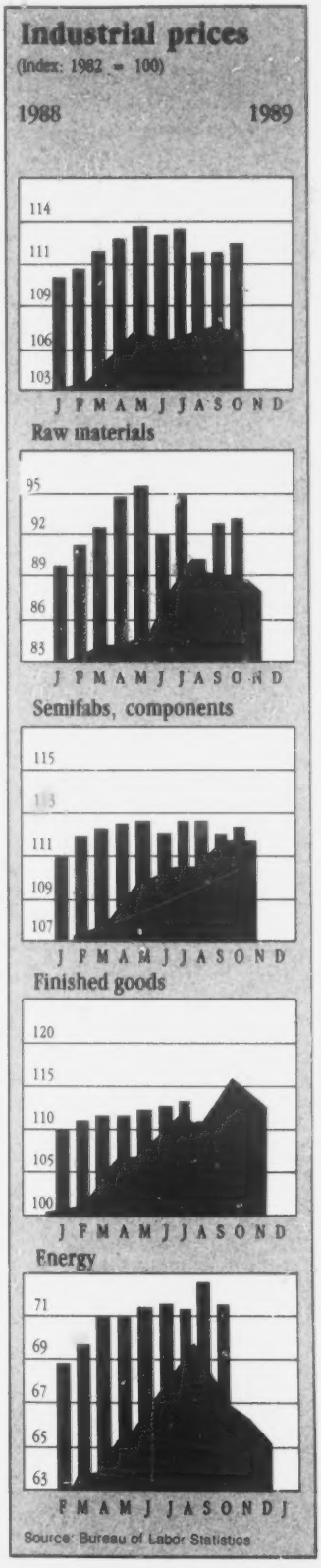
Price front: more good news

More good news on the price front—with industrial price averages showing only a very modest 0.4% advance over the latest reported month.

A closer look reveals these other especially encouraging signs: 1) unchanged prices for intermediate and crude goods viewed as a whole, and 2) only a fractional 0.1% advance in finished goods excepting the erratic food and energy components.

The energy factor, which sent the inflation rate on a roller coaster earlier this year, has also simmered down. Prices actually dropped 0.3% over the latest 30-day period—a big change from the big runups of earlier this year.

Edging down here over the past month were heating oil, natural gas, and electric power. And gasoline was up only fractionally.



Capital goods price trends were also encouraging, with some modest overall declines reported for printing machinery and farm equipment. True, truck and auto tags were up—but a lot less.

The organic chemical sector also remained quite soft, as another 0.5% was shaved off price averages here, leaving them 1.5% under 1988. Plastic resins, dependent on organic feedstocks, also continued to decline, dropping another 1.8%. Organics, however, were up a bit—thanks to stronger alkali quotes.

Metals, too, remained on the soft side. Discounting, for example, continued in steel. And several key nonferrous metals—including aluminum, copper, zinc, and lead—ended the month lower. Bucking the trend, however, were some modest advances in precious metals.

Also heading up were construction materials where the composite index jumped 1.5%. Behind the increase: a big 9.0% spurt in plywood. Increases were also registered in wire and cable and softwood lumber. On the other hand, float glass declined.

A government spokesman, commenting on the latest trends, said he expected very little in the way of dramatic change over the next few months. Most of any new softness, he added, would be centered in crude and semifabricated items where supplies continue to run ahead of demand.

But decelerating demand gains have their brighter side—making for less upward pressure on prices. Thus another D & B index, this one on future selling prices (again, the net number expecting increases) has dropped to 50. That's a significant decline from the first quarter when this yardstick reached a peak of 59.

The slower production pace envisioned, however, is not the only factor behind this improved inflation outlook. Certainly the recent fall in material tags could be playing a role.

Still another possible price influence: the fact that fewer respondents than three and six months ago expect an increase in future unit labor costs.

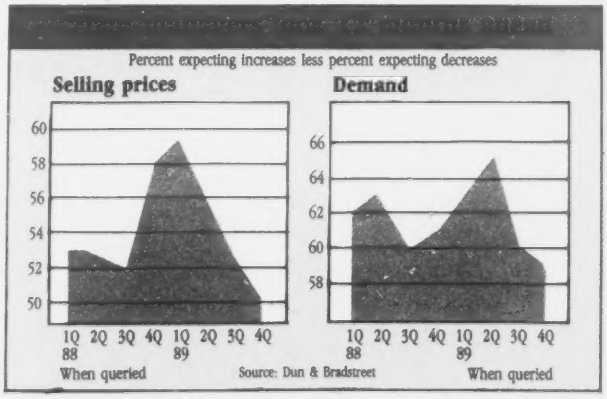
Also worth noting: the price-increase index is now virtually the same as the unit-cost-increase index. Six months ago the price index was running far ahead. Implication: it's now a bit harder to pass cost boosts along to buyers.

All these findings, says D & B's corporate economist, Joseph Duncan, can't be underestimated. If nothing else, they indicate that price pressures are pretty much under control for now, and for the near future as well.

Managers downsize plant forecasts

The nation's plant managers are toning down their near-term forecasts. True, all signs still point to continuing business gains, but advances may not be quite as robust as they have been over the past year or two.

A new Dun & Bradstreet survey of 1,500 manufacturing executives tells the story. Specifically, D & B's production optimism index (calculated by subtracting those expecting output declines from those anticipating increases over the ensuing 12-month period) has dropped to 57—off seven points from last spring when a similar question was posed.



PROCUREMENT STATUS REPORT

Procurement problems ease

Most of last year's pressing procurement problems continue to fade, reflecting a combination of both increasing production capacity and a basically flat demand pattern.

On the latter score, industrial production actually edged lower over the past month—resulting in further declines in the nation's overall factory operating rate—to only 82.8%, the lowest reading in a year and a half. (See the detailed look at these utilization rates elsewhere in this section.)

Not surprising *PW's* exclusive lead-time index continues to edge lower. At latest report this key buying barometer was bumping along at only around the 49 level—a bit under the neutral 50 mark where stretch-outs and shrinkages balance each other out.

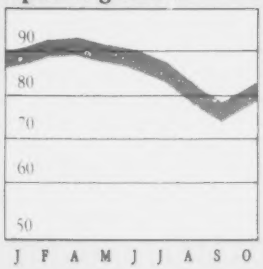
A similar trend is also noted in the NAPM speed-of-delivery index. The latest reading here is only 42.7 (again with 50 being the neutral point and anything under 50 signalling a speedup). This marks the sixth straight month of decline—leaving this bellwether yardstick at its lowest level in some 7.5 years.

This, in turn, is leading to more hand-to-mouth buying. In the key production materials area, for example, 55% of surveyed purchasing managers said they were now committing 30 days or less in advance—up three percentage points from levels reported three months earlier.

All this is not to say that every single procurement headache has disappeared. The NAPM short supply list, for instance, still contains a fair number of items—including bearings, castings, caustic soda and soda ash, titanium dioxide, polyester, and

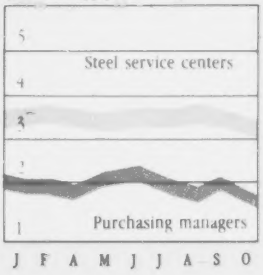
Steel

Operating rates



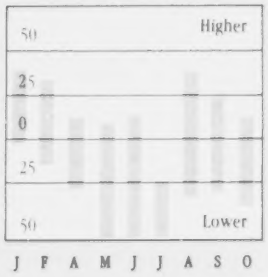
Inventories

(Months supply on hand)

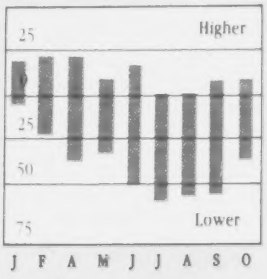


Demand (STEEL SERVICE CENTERS)

(Percent of respondents)



Demand (STEEL BUYERS)



Source: Steel Service Center Institute, NAPM Steel Buyers Committee

rayon. Bleached paperboard is also listed, but is now said to have come off allocation.

Where do we go from here? All signs suggest that even this relatively short list of problem areas will diminish in the months ahead—especially if the flattening-out in industrial production persists. On the other hand, it would be unrealistic to expect much more overall improvement in leads—if only because delivery times in so many areas are already down close to minimun levels.

STEEL SCENE

Next quarters not bullish

The nation's top metal distributors are not all that bullish about the next few quarters—with most of them convinced that the current steel buying lull will be spilling over into the new year.

A new forecast by the Steel Service Center Institute (SSCI) provides the details. The overall 1990 shipment figure is projected to drop 2% under 1989's estimated 23.5 million-ton level. As David Deinzer, SSCI executive committee chairman sums it up, "We anticipate that most major consuming markets will be soft (although not recessionary) into the first half of 1990."

Deinzer adds that many steel service centers have already experienced an easing in demand for certain products. He singles out carbon flat rolled and bar products which, he says, have been trending lower since hitting their peak in April.

And even carbon plate, which has been quite strong this year, is beginning to show signs of leveling off. Andrew G. Sharkey, SSCI president, notes some recent drop-off here from earlier peaks. Sharkey also feels there has been a slackening in alloy and stainless products.

Adding to the caution expressed by these steel spokesmen is the fact that an inventory swing may be in the making. Specifically, the 500,000-ton stock buildup of the current year is expected to give way to a 700,000-ton paring in 1990.

True, most of this should be finished by midyear. But whatever the timing, it represents a net 1.2 million-ton demand swing—and that has to have significant impact on steel markets.

On a rosier note, the steel executives think there could be some improvement after midyear. The positive factors that are expected to be operative at that time include 1) lower interest rates which will firm construction and consumer buying, 2) a weak dollar which will aid exports and help put a lid on imports, and 3) the leaner inventory situation once the anticipated "correction" is completed.

Sharkey also adds a few words on prices—suggesting that current softness may not last too much longer. He expresses this view despite the fact that the latest SSCI survey finds 42% of all respondents expecting price declines over the next six months—far more than the minuscule 5% bracing for increases.

Asked to explain the discrepancy between his forecast and respondent expectations, Sharkey says that survey results tend to extrapolate current conditions rather than likely future developments. In his own words: "Many of the service centers are more pessimistic than they should be."

Sharkey also points out that most of those who predict price softness see the declines as being quite modest. Specifically, only about one in 25 put decreases in excess of 5%. Modest rather than big declines are also confirmed by a new Wharton projection which puts the slippage over the next six months at less than 1%.

One thing everybody (buyers, distributors, and economic forecasts)seems to agree on, however, is that the next few months will be pretty soft from a demand standpoint. Some 37% of SSCI respondents, for example, see a drop in incoming orders over the next three months—more than three times as many as those who are looking for some upturn.

Wharton, meantime, sees domestic shipments in the first quarter 1990 fall-

Import prices

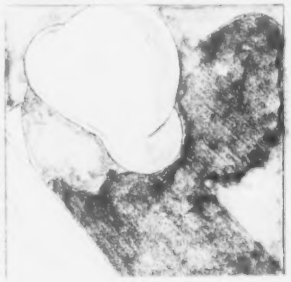
(compared to domestic)

Steel buyers
ABOVE 53%
SAME 27%
SLIGHTLY BELOW 20%
SUBSTANTIALLY BELOW 0%
SERVICE CENTERS (carbon)
ABOVE 2%
SAME 81%
5-10% BELOW 17%
10-20% BELOW 0%
OVER 20% BELOW 0%

ing to 18.4 million tons—off 12% from a year earlier.

And last but not least are the buyers themselves. The latest NAPM Steel Committee pretty much confirms these projections, with 38% expecting a decline in purchases.

Wharton and steel buyers also agree with the SSCI that inventories are ready to turn down. And their assessment makes good sense—for not only



is end-use demand flattening out, but there is no longer any problem getting as much steel as needed, when it's needed.

This month's breakdown

Index: 1982 = 100

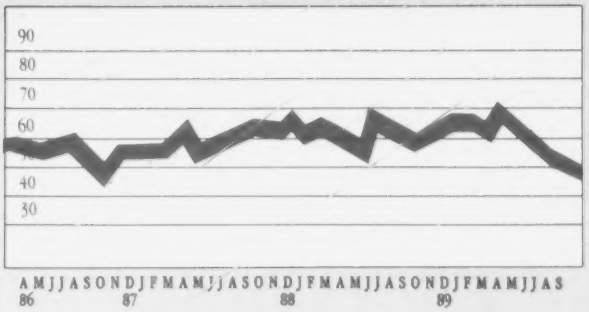
	Latest level (Oct.)	% change from: Month ago	Year ago
Bearings	125.5	0	6.2
Bolts, nuts, etc.	114.5	1.3	6.4
Chemicals, inorganic	110.4	0.5	7.4
Chemicals, organic	112.2	−0.5	−1.5
Concrete products	111.5	0.1	1.5
Corrugated cartons	112.5	−0.1	1.0
Cutting tools, small	111.8	−0.2	3.5
Electric lamps (bulbs)	125.9	0.8	2.7
Electronic components	119.6	0	1.1
Fans and blowers	120.0	0.1	5.4
Foundry and forge products	115.2	−0.1	3.8
Fuel oil (residual)	48.2	3.0	24.2
Furniture, commercial	130.2	0.1	3.6
Gasoline	65.3	0.6	16.4
Glass, flat	109.2	−0.6	−1.0
Glass containers	115.9	−0.3	3.2
Gypsum products	110.2	1.0	−3.0
Hand tools	129.3	0.5	6.1
Hand tools, power driven	117.0	0	4.6
Industrial furnaces	125.2	0	2.9
Integrating and measuring instruments	122.2	1.5	6.3
Internal combustion engines	116.4	0.3	3.6
Lubricating oil	112.1	0.1	4.1
Lumber millwork	128.1	0.1	3.9
Material handling equipment	113.0	0.4	4.0
Metal containers	115.0	1.8	3.5
Metal mill shapes (nonferrous)	136.7	−0.1	0.8
Metal tanks	111.8	0.4	5.3
Motors and generators	129.9	0.1	4.2
Motor trucks	136.1	10.1	4.2
Office and store equipment	109.5	−0.3	1.6
Paperboard	140.0	−0.2	2.6
Paper boxes and shipping containers	131.0	−0.1	4.1
Paper office supplies	121.9	−0.3	3.9
Paint	120.6	−0.2	5.8
Plastic resins	126.9	−1.8	−9.2
Precision measuring tools	125.3	0	3.2
Pumps and compressors	116.4	0.4	5.4
Refractories	120.1	0.2	4.3
Rubber belts and belting	118.0	1.1	8.6
Scales and balances	106.7	0	0
Steel products	114.5	0.3	2.0
Switchgear	119.4	0.2	4.0
Textiles, synthetic fibers	106.7	0.1	7.3
Textiles, gray fabrics	116.0	0.4	1.6
Tires and tubes	97.3	−0.1	2.9
Transformers and power regulators	119.1	0.3	9.2
Welding equipment	122.6	0.1	2.9
Wire and cable	149.1	1.8	11.9

NAPM procurement trends

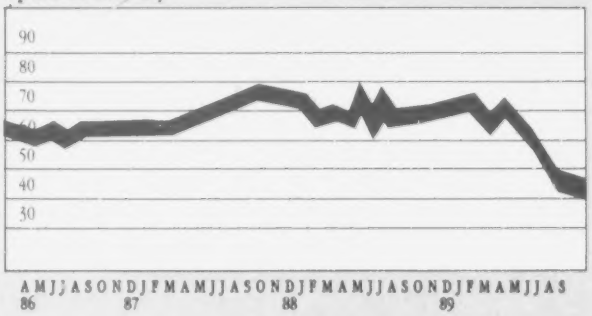
(seasonally adjusted diffusion indexes)

An index where 50 is defined as the neutral level, to the extent a reading is above 50, it represents an expansionary tendency. More particularly, rising inventory prices, and new orders are seen as positive signs of economic growth. A trend toward slower deliveries is similarly interpreted

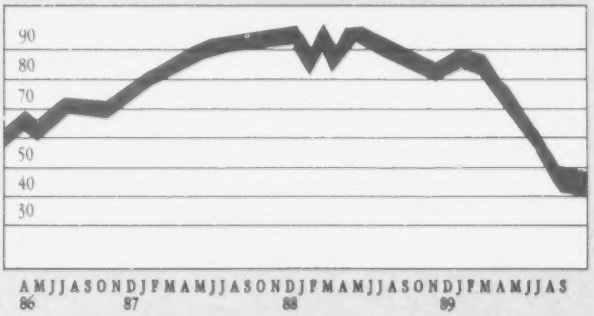
Inventories



Speed of delivery



Prices

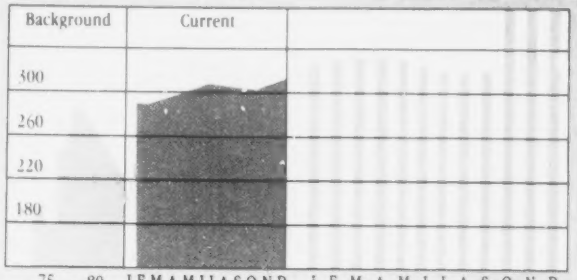


New orders

Raw material price barometer

(Index 1967 = 100)

Last month 327.1
Month before 327.0
Year ago 305.0



Latest spot market prices

	Latest price	Previous month	Year ago
FERROUS METALS			
Pig iron, basic valley, gross ton	213.00	213.00	213.00
Pig iron, Bessemer, Pitts., gross ton	213.00	213.00	213.00
Steel, billets, Pitts., net ton	367.00	367.00	367.00
Steel, structural shapes, Pitts., cwt.	23.90	23.90	23.90
Steel, structural shapes, Chi., cwt.	23.90	23.90	23.90
Steel, structural shapes, Los Angeles, cwt.	23.90	23.90	23.90
Steel, bars, dlvd. Phila., cwt., merchant quality	18.70	18.70	16.50
Steel, bars, Pitts., cwt.	18.70	18.70	16.50
Steel, bars, C.R., Pitts., cwt	23.95	23.95	19.45
Steel, plates, Pitts., cwt.	23.25	23.25	23.25
Steel, plates, H.R., Pitts., cwt.	23.25	23.25	23.25
Steel, sheets, C.R., Detroit, cwt.	29.65	29.65	28.15
Steel, strip, C.R., Chi., cwt.	36.18	36.18	36.18
Steel, basic wire, Pitts., cwt.	23.65	23.65	23.65
NONFERROUS METALS			
Aluminum, ingot, lb. (market place)	.770	.805	1.075
Antimony, N.Y., dealer, lb.	.94	.94	.95
Beryllium-copper, cost ingot, lb.	5.90	5.90	5.90
Brass, red, 85%, [sheet], lb.	1.84	1.98	2.08
Brass, yellow, [sheet], lb.	1.80	1.94	2.04
Cadmium, N.Y., dealer, lb.	5.50	6.00	6.00
Copper, electrolytic, wire bars, refd., lb.	1.21	1.35	1.45
Copper sheet, over 24 in., lb.	1.93	2.07	2.17
Lead, common, N.Y., lb.	.41	.44	.40
Magnesium, pig ingot, [99.8%], lb.	1.63	1.63	1.58
Mercury, 20 fl. lots, N.Y., fl.	270.00	260.00	285.00
Molybdenum, oxide, dealer, lb.	2.94	3.18	3.45
Nickel, cathode, dealer, lb.	4.65	4.90	5.35
Platinum, dealer, oz.	500.00	488.00	574.00
Silver, N.Y., oz.	5.32	5.21	6.49
Tin, N.Y., dealer, lb.	3.39	3.92	3.41
Zinc, Prime West, East St. Louis, lb.	.770	.800	.725
Zinc, die casting alloy, No. 3, lb.	.855	.885	.835
PAPER			
Uncoated book #3 offset, ton	960.00	960.00	965.00
Watermarked bond, ton	1090.00	1090.00	1080.00
Gummed sealing tape, carton	18.87	18.93	17.87
Grocery sacks, ton	495.00	495.00	460.00
Solid bleached paperboard, ton	780.00	780.00	685.00
Kraft linerboard, 42 lb., unbleached, ton	410.00	410.00	410.00
TEXTILES			
Burlap, 10 oz., 40", N.Y., yd.	.286	.285	.277
Cotton drill, 1.85, 59", 68x49, N.Y., yd.	1.24	1.22	.89
Cotton middling, 1", N.Y., lb.	.693	.683	.523
Printcloth, 48", 80x80, N.Y., spot, yd.	.50	.50	.48
Army duck, 37", 13 oz., yd.	1.40	1.40	1.50
Blended printcloth, 64", 78x54, yd.	.77	.80	.66
20s combed yarns	1.94	1.94	1.80
Wool 64s, Staple, lb.	3.50	3.50	4.75

	Latest price	Previous month	Year ago
CHEMICALS			
Acrylonitrile, tanks, lb.	.42	.42	.36
Ammonia, anhydrous, tankcars, Gulf Coast, ton	73.00	68.00	91.00
Benzene, petroleum, tanks, Houston, gal.	1.32	1.25	1.26
Caustic soda, 76% solid, drums, carlots, cwt.	28.00	28.00	28.00
Cresylic acid [over 25%], tanks, lb.	.55	.55	.55
Formaldehyde, USP, 37%, [12% to 15% meth.], tanks, lb.	.106	.106	.106
Glycerine, synthetic, tanks, lb.	.845	.845	.735
Methanol, syn., tanks, 4,000 gals., f.o.b. Gulf Coast plants	.30	.32	.58
Naphthalene, crude, tanks, lb.	.16	.16	.16
Phthalic anhydride, tanks, lb.	.40	.40	.35
Polyethylene resin, low density liner film grade (market place), lb.	.350	.360	.515
Polypropylene, homopolymer grade (market price), lb.	.365	.410	.510
Polystyrene, general purpose grade (market price), lb.	.485	.500	.600
Polyvinyl chloride, pipe grade (market price), lb.	.335	.365	.440
Soda ash, 58%, light carlots, cwt.	6.15	6.15	6.15
Styrene monomer, 99.6%, tanks, lb.	.335	.355	.450
Sulfur, crude, ex-terminal, Tampa, Fla., lt.	117.50	117.50	138.00
Sulfuric acid, 66%, commercial, tanks, ton	69.89	69.89	66.86
Titanium dioxide, anatase, reg., carlots lb.	1.020	1.020	.950
Xylene tanks, gal.	.900	.875	1.130
BUILDING MATERIALS			
Lumber, 2x4 fir, mbf, cl	343.56	344.50	334.94
Lumber 2x2 pine, mbf, cl	337.08	329.70	319.18
Plywood, plyform, ¾", msf, cl	605.94	602.61	567.75
Plywood, ⅜", msf, cl	401.83	365.56	382.32
Cement, bulk, ton, tl	62.85	63.34	64.27
Sand, ton, cl	7.03	7.00	7.22
Ready-mix concrete, 3,000 psi/cu. yd.,	47.82	48.09	48.31
Crushed stone, 1½", ton, cl	N.A.	N.A.	N.A.
Concrete blocks, sand/gravel, 8"x8"x16", per hundred	89.57	89.04	92.28
Reinforcing bars, whse base; per cwt	22.07	22.04	20.85
Asphalt paving AC-20	104.75	105.80	114.39
Vitr. Clay Sewer Pipe, Prem Joint, 12", per ft, cl	N.A.	N.A.	N.A.
Concrete sewer pipe, 24", prem. joint, per foot, cl	18.03	17.94	N.A.
FUELS			
Crude oil (W. Tex Int Cush), bbl.	19.90	20.25	14.00
Diesel (reseller rack, Chi), gal.	.6150	.5950	.4625
Fuel oil No. 2 (N.Y.), gal.	.5835	.5925	.4400
Fuel oil No. 2 (Gulf spot), gal.	.5730	.5510	.4255
Fuel oil No. 6 (N.Y.) contract cargo, bbl.	21.50	20.00	17.00
Gasoline (prem unlded NY), gal.	.5900	.6560	.5875
Gasoline (reg unlded NY), gal.	.5150	.5710	.5675
Kerosene (reseller rack, Chi), gal.	.6990	.6750	.5110
Propane (Mt. Belvieu, Tex), gal.	.2100	.2213	.1950
SCRAP MATERIALS			
Steel, No. 1, hvy., dlvd., Pitts., ton	93.00	97.00	114.00
Steel, No. 1 hvy., dlvd., Chi., ton	96.00	101.00	108.00
Copper, No. 1, East, wholesale buy, dlvd., lb.	1.055	1.210	1.170
Copper, No. 2, East, wholesale buy, dlvd., lb.	.975	1.115	1.015
Brass, red, East, wholesale buy, dlvd., lb.	1.015	1.170	1.130
Brass, yellow, East, wholesale buy, dlvd., lb.	.560	.620	.510
Alum., old sheet/cast, E., wholesale buy, dlvd., lb.	.460	.480	.610
Alum., mixed clip., E., wholesale buy, dlvd., lb.	.540	.560	.710
Zinc, old, East, wholesale buy, dlvd., lb.	.30	.30	.24
Lead, clean solids, East, wholesale buy, dlvd., lb.	.24	.24	.26
Paper, No. 1 mixed, dlr., N.Y., ton	Nom.	Nom.	Nom.
Paper, old corrug. box, dlr., Chi., ton	Nom.	Nom.	15.00
Paper, old corrug. box, dlr., N.Y., ton	Nom.	Nom.	5.00
Old newspapers, Chi., ton	Nom.	Nom.	Nom.
Old white ledger, Chi., ton	110.00	110.00	80.00

[Sources: Metals Week, American Metal Market, Engineering News-Record (20-city averages), The Wall Street Journal, Journal of Commerce, Chemical Marketing Reporter.]

In transportation...

Costs heading up in 1990

Freight tabs will be going up again next year—witness recent rate-boosting announcements by truckers, airlines, and some ocean-going shipping firms. But by and large, competition and a so-so economy should limit most of these advances to modest proportions.

That's what Wharton Econometric Forecasting Associates (the WEFA Group) is projecting in its regular quarterly rate review prepared especially for *Purchasing-World* readers. Specifically, the average increase for the upcoming year is put at only 2.7%—a bit under the 3.4% estimate made just three months earlier (*PW*, 9/89, pg. 28).

To be sure, some acceleration is seen beyond 1990. But again things should remain in the tolerable range—with 3.4% and 4.3% increases seen for 1991 and 1992.

To put this in perspective, all these estimates are under the 4.6% increase racked up in 1988. Behind this relative optimism: 1) still substantial rate infighting, especially in the less-than-truckload area, where this past April's 4.7% increase has been discounted away and 2) the railroads' fears of continuing inroads by truckers.

Another rate rise inhibitor: expectations of declining oil prices. This, plus restraint in other material cost areas, should help offset somewhat greater wage pressures.

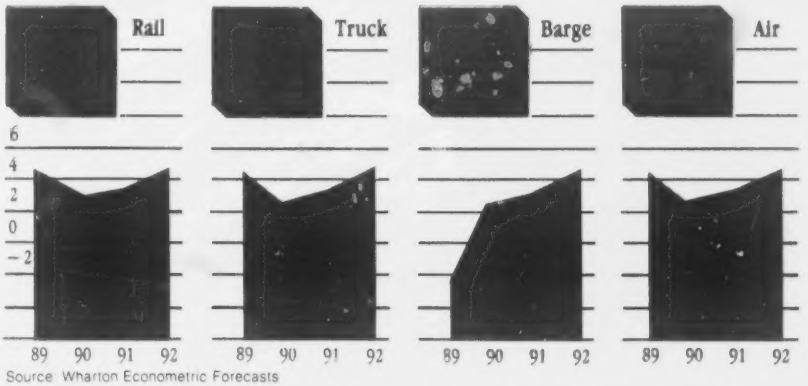
In short, it looks like a tolerable situation for most of the nation's freight shippers—with trends on a mode-by-mode basis shaping up along these lines:

Trucking: look for a 4.6% average increase in rates this year (the same as 1988). This is more than 1-3% traffic increases would seem to warrant, but well under the percentage rise in trucker costs. In 1990, moreover, lower fuel tags should hold the rate of rise to 2.7% before a pickup to 3.4% in 1991 as labor rates start accelerating.

Longer run, the industry will probably have to deal with increasing state fees and taxes. Example: California—often a leading-edge state in transportation—is considering major changes, including a 54% increase in commercial weight fees and a 9¢/gallon gasoline tax. Voters will decide the fate of the proposals next summer.

Freight cost outlook by mode

(percent increase over previous year)



Source: Wharton Econometric Forecasts

Meantime, on the international front, Consolidated Freightways has announced a new truck/ship service which would considerably simplify shipping overseas. It offers a single price and one bill of lading for what had previously been a complicated multi-step process. The likely effect: more stable rates, with freight companies bringing more of the risk of fluctuating currencies.

Railroads: the current year's increase is put at near 4.6%—actually a bit more than the 4.3% estimate made three months ago. On the other hand, competition is expected to put a lid on future hikes—and it could also be a powerful tool in future labor negotiations.

In any event, only about a 3.0% advance is seen for 1990—and perhaps only a slightly bigger 3.5% boost in store for 1991. Both these figures should be pretty much in line with those envisioned for truckers.

Air cargo: shipment gains are continuing at a good pace—though they will probably not match last year's double-digit jump. Year-to-date figures point to about an 8% increase—with the biggest gains occurring in the international sector.

This latter market is already the focus of the largest hikes this year—a response to soaring demand and rising fuel and labor costs. Thus a rate hike this fall could be as large as 30% on some Pacific routes—following somewhat smaller North Atlantic boosts posted this past spring.

Looking ahead, competition will be the controlling factor on air rates from here on in—particularly in the international area as domestic players like Federal Express, Emory, and UPS expand their service overseas. Overall price hikes are forecast to average 5.1% this year, 2.9% in 1990, and 3.6% in 1991.

Water freight: the industry has been dominated by the effects of the 1988 drought which necessitated reduced loadings, longer passage times, and higher rates. Barge tariffs jumped 6.8% in 1988—a dramatic change from the flat-to-declining prices of previous years.

The big rate hike from the drought has been a one-shot deal—with prices already dropping back (averages this year will be down 2.6%). Assuming a return to average rainfall patterns, a further return to normalcy is anticipated, with barge rates rising 2.4% and 3.4% in 1990 and 1991, respectively.

PW's annual salary survey

Purchasing pros' numbers get better

by Ron Stevens, managing editor

We love data in this information society: ah, numbers and number crunching! And each year, to add more numbers to the miasma, we ask our readership to divulge their salaries, bonuses, % of increase, etc. (all without names, of course) to put together the annual *PurchasingWorld* salary survey.

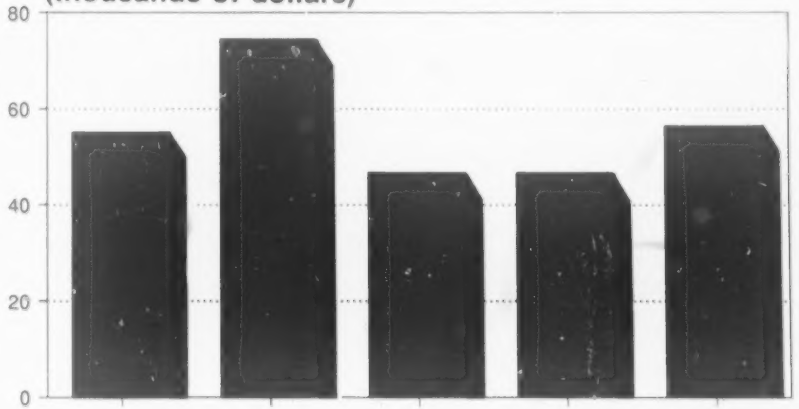
But this year's survey results were gratifying—for several reasons—as first, salaries, bonuses and raises were higher than last year's reporting, and second, the size of the sample was better than last year's, too. What's not to like?

To be truthful, the fact that a few respondents chose not to fill out the entire questionnaire, even though we shortened it once again to make it easier and less time consuming. This paranoia has to stop, folks. We aren't going to give away your secrets. And frankly, it makes a better, more informative picture if you don't withold your main commodity, responsibility or your zip code or... but you get the picture. Many of you want this information, even do planning and forecasting (and hiring?) based on it, so let's be cooperative.

(And for those of you who think that not including your zip code will help disguise your response, forget it—the postmark on your return envelope carries your zip. If we *wanted* to get it, we could.)

But this is digression. Again, the main point is that salaries are going up. Last year we reported on ranges—lows and highs by job title. This year we offer straight averages as well, for better comparisons. (We frequently get phone calls--around the time of your various salary negotiations—which seem to prefer definite numbers rather than ranges.)

Salaries-averages by commodity
(thousands of dollars)



As has been our practice in the past, we sent the questionnaires to our A list of subscribers—job titles in the executive category. Our feeling is that, compared to a shotgun approach to gathering data, this focussed method gives higher quality information. As part of a continuing process, we also further refined our survey to make it easier to answer (and easier to tabulate).

Who responded

Although the response percentage was more than 25% of the total number of questionnaires mailed out, we got very few, as you would expect, from the lower job titles such as buyer trainees and expediters—and none at all this year from junior buyers. More than 40% of our respondents were purchasing directors, with vice presidents of purchasing comprising nearly 20% and purchasing managers a little over 13%.

The survey also elicited responses from all 50 states, and from SIC codes from 10 to 97 (with a small group of "others").

An interesting side note: as in the past, we offered our fax number for those so inclined. The first several responses came in that way—and then no more. Judging by the total number of faxes received, this doesn't seem to be respondents' favorite method of communication—probably because security is a factor when you put your response on the machine. But the sudden fall-off in such responses suggests that people who want to be blindingly prompt use fax—those who handle business at a slower pace use the Federal mails.

Buyer trainees reported in 1989 that they earned from $18,000-24,000 per year, with the average at $21,000. They did not report any

bonuses, although their average increase from the previous year's salaries was an average of 12%.

Expediters ranged in salary from $16,800 to $40,000, with the average figure being $28,400. The average increase in salary was 13.5%.

Buyers told us that they earned from $25,200-50,000 in salary, with the average at $37,640. Buyers' average raises were set at 21.4%. (Here's an example of not filling in all the blanks—not all buyer respondents filled in this answer, skewing the percentage. We doubt too many supervisors would swallow an average increase like this at your next salary go-round.) Average bonus here was reported as $7,000.

One **senior buyer** responded (well, it *does* make the math easier) with a salary of $60,000. This person's raise was listed at 7%, with an annual bonus of $9,000.

For **purchasing agents**, the range was from $14,000-85,000, with an average salary of $40,795. The average raise for this category was 9.3%, with an average bonus of $6,600.

One of the larger categories of respondents, **purchasing managers**, reported an average salary of $46,621, with the range extending from $18,000-$165,000. The average bonus was the same as for purchasing agents—$6,600—and the average raise was 7%.

Purchasing directors, the largest category of respondents, reported a salary range from $20,000-184,500, with an average of $57,393 per annum. For bonuses, these pros received an average of $11,000, with an average percentage of salary increase set at 6.2%.

Vice presidents of purchasing—the second largest group of respondents—earn from $18,000-135,000, with the average wage settling at $61,091. They received, on average, 8.1% salary increases, with an average bonus of $16,500.

Materials managers make from $25,500 to $84,000 per year, with an average salary of $46,574. Their bonuses average $10,600, and their raises averaged 6.4%.

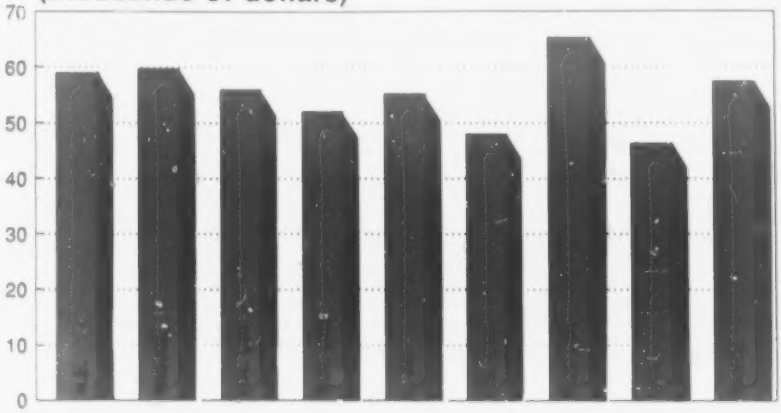
Materials directors were the fourth largest category of respondents, and averaged $62,852 in salary within a range of $32,500-140,000. They averaged raises of 6.8%, with an average bonus of $10,400.

At the top of the heap in average salaries were **vice presidents of materials management** with $82,559 in salary. This job category ranged from salaries of $27,000-170,000, with average raises of 6.9%. Their bonuses averaged $23,100.

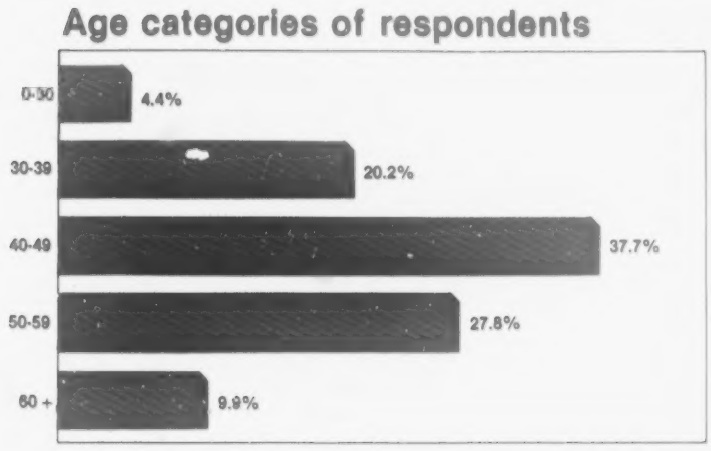
Sixty-six percent of our responses came from people at the corporate level of their businesses, 21% were at the divisional level, and 12% were located at their companies' plants.

Where is the big money? If you're planning your career in purchasing, where will you have to go to find the highest salaries? And what commodities (responsibilities) pull down the most money? We looked at that two ways. Our respondents in the southwest central region of the country (zip codes 700-799, and 885 had the highest average, with $65,270. Second was the middle Atlantic states, with an average of $59,678. Third was the New England area, averaging in at $58,932. In order after that was the Pacific states ($57,375), then the east north central region ($55,927), southern Atlantic ($55,184—although it includes the highest reported salary figure), west north central ($52,002), east south central ($47,994), and the mountain states ($46,280—although the smallest number of returns came in here, which could have skewed

Salaries by regions
(thousands of dollars)



How many are CPMs?



the average).

How about those women?

Each year, interest is expressed by readers in how women are faring in the purchasing function, relative to salaries and other criteria. Here's our report: 8% of the respondents to this year's survey were women—and 7% of those women hold the Certified Purchasing Manager (C.P.M.) accreditation from the National Assocition of Purchasing Managment (NAPM).

But what do they make? The news here is pretty good, we feel. Although not as well paid as their male counterparts (unfortunately, there's no surprise there), our respondents averaged $44,837, within a range from $16,800 to $145,000. Lowest reported bonus was $1,000, with the high reported to be $30,000; average percentage of annual salary increase was 6%.

To put the numbers on the page, just how do salaries for women stack up against salaries for men? Looking at overall respondents to our survey questionnaire we find that the salary average above—$44,837—compares with a men's average of $58,710, with a low of $14,000 and a high of $184,500.

Going back to the overall survey, meantime, just over 18% of *all* respondents were CPMs. Their average salary was noticeably higher than non-CPMs, too—a subject that often comes up in these discussions—with holders of the certification averaging $63,971/year *versus* $56,113 for non-accredited purchasing pros. That's a tidy 14% difference, for those of you temporarily away from your calculators.

So why is that, you ask? One of the reasons, we suspected, was that someone with a CPM was probably older than a non-CPM, so that time in the purchasing profession (or just flat seniority) would affect the salary number, too, but here was the surprise: our responding CPMs' average age was 48, where non-CPMs averaged out to 45.

What educational backgrounds do purchasing pros have? We found that the largest category, four-year business degrees, comprised 29.5% of our respondents. After that came just over 15% with MBAs, 13.6% with no college, 10.4% with liberal arts degrees, 9.8% with associate degrees, and 5.9% with other graduate degrees. A number of responses fell into no category we offered.

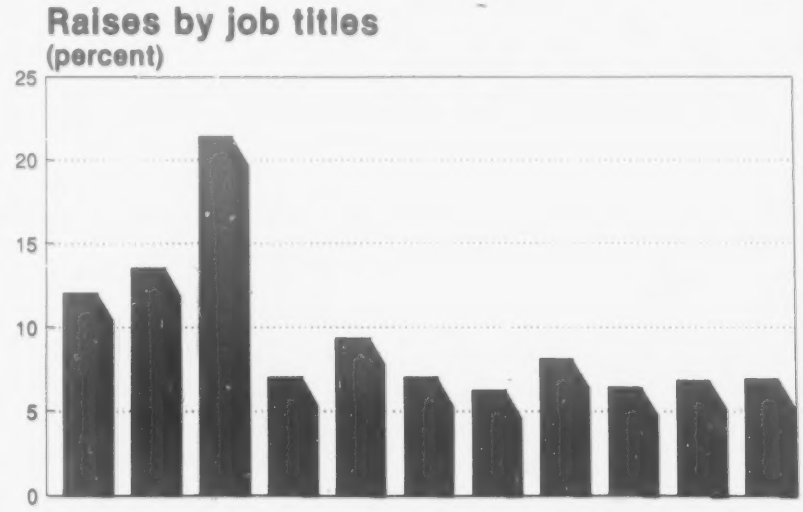
Although various studies we've seen (including one from NAPM) give higher numbers for PMs supervision responsibilities, our survey showed that, on average, respondents oversaw 11.3 people. Slightly more than 45% supervised from 1-4 people, 26.2% handled 5-9 people, and 6.9% have only themselves to be responsible for.

Some final figures

We thought you might want to know what other respondents spend, and what their companies' annual sales figures are, too. Average department spending averaged $104.6 million; the average sales of the companies represented in our survey amounted to $1.5 billion.

This breaks down by region to the west south central area having the highest numbers, followed by the east north central region and then the middle Atlantic states.

The other category of interest to purchasing professionals would be what commodity responsibilities bring the best salaries. Chemical buyers in our survey reported salaries which averaged to $74,415. (Our highest-paid respondent, with $184,500, was in this category.) The next highest was electronics, with a $56,387 average, then steel, with an average salary of $54,975. Almost tied for runner-up were paper and aluminum buyers, with $46,624 and $46,612 respectively. ***PW***



The price lull's for real

The price lull of the past few months is no aberration. At least that's what top purchasing managers, responding to a new nationwide *PurchasingWorld* survey, are saying.

True, they still don't expect to completely avoid increases over the upcoming year. But by and large, the majority of those queried feel the boosts will tend to be smaller and more spotty than those experienced in 1988 and early this year. And a few optimists actually say their overall costs could edge lower.

Commenting on the changing price climate, one East Coast PM observes, "Sure, an all-out buyers' market is too much to expect. But given today's improving supply/demand balance, we should have a lot more bargaining leverage in the months and quarters immediately ahead."

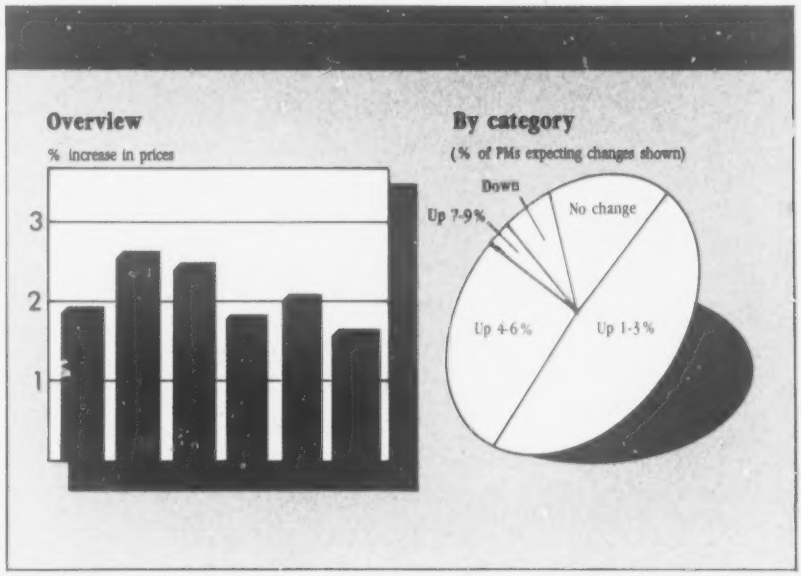
Indeed, such leverage is already being reflected in the new estimates. Six months ago when PMs were asked about their estimated 1989 increase, their projection called for nearly a 5% advance. Now with the year practically over, the figure has been toned down to near 3%.

And judging from the survey responses, this deceleration will be continuing. Some highlights of the just-completed study:

● **The overall 1990 increase:** the average advance is put at 2.2%—nearly a full percentage point under this year's estimate. Also indicative of better days ahead: six months ago when a similar question was asked, about 1990, the expected increase was put in the considerably higher 4-5% range.

Equally impressive is the fact that 43% of the respondents expect 1990 to be better than 1989 as far as price boosts are concerned. That's more than three times the 12% who fear some further acceleration.

● **1990 raw materials:** the average increase here is put at 1.9%—slightly more than a full percentage point under this year's estimated 3.1% advance. Much of this is predicated on continued easiness in such key areas as steel, nonferrous metals, plastic resins, chemicals, and paper.



● **1990 component parts:** the 2.5% increase anticipated here is higher than for any other product category. But even in this sector some deceleration is seen from this year's estimated 3.6% advance—as increases in bearings taper off and electronic components actually begin to weaken.

● **1990 machinery:** the 2.4% increase expected for the upcoming year is surprisingly small—for it comes at a time when equipment sales are booming. One possible explanation: continuing foreign competition. Overseas tag hikes, for example, averaged out at less than 2% over the past 12 months.

● **1990 energy:** only a 1.8% rise is projected—with buyer comments indicating that most of the hold-the-line optimism is based on the expectation that crude oil prices will remain relatively stable as OPEC squabbling persists.

● **1990 freight:** a 2.0% increase is projected. Further confirmation that things are pretty much under control here comes from a new Wharton forecast (in this issue) which suggests only a slightly higher 2.7% boost.

● **1990 office equipment:** a very small 1.6% increase is seen. Even this could be an exaggeration—for survey responses indicate that most big-ticket electronic items like PCs, faxes, and copiers are expected to edge lower. Then, too, a new survey by the Quill Corporation (see PW Predicts) indicates that overall prices here are more likely to edge down than up over the next six months.

One thing most buyers would agree on is that they intend to take advantage of the expected improvement in the bargaining climate. High on their list of strategies: more hard-nosed bargaining, consolidation of purchases for volume breaks, more long-term pacts, increased emphasis on value analysis, and further exploration of overseas alternatives.

One buyer sums it up: "No question that we'll do better than last year. Shaving one percentage point off our inflation rate seems all but certain. And we could do better than that if the economy really slows down." ***PW***